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**FISCAL IMPACT STATEMENT**

**LS 6194**

**BILL NUMBER:** HB 1281

**NOTE PREPARED:** Jan 6, 2011

**BILL AMENDED:**

**SUBJECT:** PERF and TRF Investment Manager Guidelines.

**FIRST AUTHOR:** Rep. Crawford

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill requires the Boards of Trustees of the Public Employees' Retirement Fund (PERF) and the Indiana State Teachers' Retirement Fund (TRF) to employ investment managers that are minority business enterprises or women-owned business enterprises. It specifies that at least 15% of the assets of each fund must be placed under the investment control of investment advisers that are minority business enterprises and at least 5% of the assets of each fund must be placed under the investment control of investment advisers that are women-owned business enterprises.

The bill provides that if PERF or TRF, exercising financial and fiduciary prudence, determines that it is unable to meet the required percentages, PERF or TRF shall include in its annual report a description of its plan to achieve the specified percentages.

The bill requires PERF's and TRF's investment advisers to use: (1) Indiana-based broker-dealers; (2) broker-dealers that are minority-owned enterprises or women-owned business enterprises; and (3) new broker-dealers. It specifies that at least: (1) 30% of an investment adviser's brokerage fees must be paid to Indiana broker-dealers; (2) 25% of an investment adviser's brokerage fees must be paid to broker-dealers that are minority-owned business enterprises or women-owned business enterprises; and (3) 5% of an investment adviser's brokerage fees must be paid to new broker-dealers. It also requires PERF and TRF investment advisers to submit a quarterly report to the PERF or TRF Board. The bill provides that if an investment adviser of PERF or TRF, exercising financial and fiduciary prudence, determines that it is unable to meet the required percentages, the investment adviser shall include in its quarterly report a description of its plan to achieve the percentages as quickly as possible.

The bill requires PERF and TRF to include a summary of the investment advisers' reports in the PERF and

TRF annual reports. It requires the PERF and TRF boards to consider whether an investment adviser complies with the requirements when PERF or TRF contracts with or employs investment advisers.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** As of June 30, 2010, the market value of the Consolidated Retirement Investment Fund (CRIF) for PERF totaled about \$13.9 B and the market value of the TRF investments totaled about \$8.1 B. The total investments in both funds total \$22 B. The exposure to minority business enterprise (MBE) managers in both funds amounted to about \$1.9 B, or 9% of the total. The exposure to women-owned business enterprise (WBE) managers in both funds amounted to about \$43 M, or 0.2% of the total. In order to reach goals specified in the bill, MBEs would need to be allocated an additional \$1.3 B (an additional 6%), and WBEs would need to be allocated an additional \$1.1 B (an additional 4.8%).

The fund investment managers are currently unable to separate brokers by Indiana, minority or women-owned, or new broker-dealers.

The reporting requirements in the bill could have some minor fiscal impact of the funds.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund; Indiana State Teachers' Retirement Fund.

**Local Agencies Affected:**

**Information Sources:** Allison Murphy, Legislative Director, PERF/ TRF, 317-233-4132.

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